

HOUSE BILL NO. 771

INTRODUCED BY W. JONES

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A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING ACTUARIAL VALUATION AND REPORTING REQUIREMENTS RELATED TO THE INVESTMENTS AND BENEFITS OF THE STATEWIDE PUBLIC EMPLOYEES' RETIREMENT SYSTEMS; AMENDING SECTIONS 5-11-210, 19-2-405, 19-2-407, 19-2-408, 19-20-201, AND 19-20-719, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Reports on retirement system trust fund investments and benefits.

(1) As soon as practical after the end of each calendar year, the board of investments shall publish a report on each retirement system trust fund invested by the board. The report may be part of an annual report required pursuant to Article VIII, section 13, of the Montana constitution or 17-5-1650 but must summarize the following with respect to each retirement system trust fund:

- (a) asset allocation;
- (b) past and expected investment performance;
- (c) investment goals and strategies; and
- (d) Montana public employees' retirement system investments and performance compared with the public employees' retirement system investments and performance in other states.

(2) The board of investments shall annually at a public meeting present the report described in subsection (1) to the public employees' retirement board provided for in 2-15-1009 and the teachers' retirement board provided for in 2-15-1010. The board shall also provide the report to the legislature pursuant to 5-11-210.

NEW SECTION. Section 2. Presentation to board of investments. The board shall annually at a

public meeting present to the board of investments established in 2-15-1808 a financial and actuarial report of the retirement systems administered by the board and brief the board of investments on any benefit changes being considered by the board that may affect trust fund obligations.

NEW SECTION. Section 3. Presentation to board of investments. The retirement board shall



1 annually at a public meeting present to the board of investments established in 2-15-1808 a financial and actuarial
2 report of the retirement system and brief the board of investments on any benefit changes being considered by
3 the retirement board that may affect trust fund obligations.

4

5 **Section 4.** Section 5-11-210, MCA, is amended to read:

6 **"5-11-210. Clearinghouse for reports to legislature.** (1) For the purposes of this section, "report"
7 means a report required by law to be given to or filed with the legislature.

8 (2) On or before September 1 of each year preceding the convening of a regular session of the
9 legislature, an entity required to report to the legislature shall provide, in writing, to the appropriate interim or
10 statutory committee:

11 (a) the final title of the report;

12 (b) an abstract or description of the contents of the report, not to exceed 100 words;

13 (c) a recommendation on how many copies of the report should be provided to the legislature;

14 (d) the reasons why the number of copies recommended is, in the opinion of the reporting entity, the
15 appropriate number of copies; and

16 (e) an estimated cost for each copy of the report.

17 (3) After considering all of the information available about the report, including the number of legislators
18 requesting copies of the report pursuant to subsection (7), the appropriate interim or statutory committee shall,
19 in writing, direct the reporting entity to provide a specific number of copies. The number of copies required is at
20 the sole discretion of the appropriate interim or statutory committee. The appropriate interim or statutory
21 committee may require the reporting entity to mail the copies of the report.

22 (4) The appropriate interim or statutory committee may require that the report be submitted in an
23 electronic format usable on the legislature's current computer hardware, in a microform, such as microfilm or
24 microfiche, or in a CD-ROM format, meaning compact disc read-only memory.

25 (5) Costs of preparing and distributing a report to the legislature, including writing, printing, postage,
26 distribution, and all other costs, accrue to the reporting agency. Costs incurred in meeting the requirements of
27 this section may not accrue to the legislative services division.

28 (6) The executive director of the legislative services division shall cause to be prepared a list of all reports
29 required to be presented to the legislature from the list of titles received under subsection (2).

30 (7) The executive director shall, as soon as possible following a general election, mail to each holdover

1 senator, senator-elect, and representative-elect a list of the titles of the reports, along with the abstracts prepared
 2 pursuant to subsection (2)(b). The list must include a form on which each member or member-elect receiving the
 3 list may indicate the report or reports that the member or member-elect would like to receive.

4 (8) The executive director of the legislative services division shall make copies of reports requested
 5 pursuant to subsection (7) available to those members or members-elect by either requiring that copies be mailed
 6 pursuant to subsection (3) or by delivering copies of the reports during the first week of the legislative session.

7 (9) The executive director of the legislative services division may keep as many copies of a report as are
 8 necessary and discard the rest.

9 (10) The procedure outlined in this section may also be used for a report required to be made to the
 10 legislature under the Multistate Tax Compact contained in 15-1-601, the Vehicle Equipment Safety Compact
 11 contained in 61-2-201, the Multistate Highway Transportation Agreement contained in 61-10-1101, or the Western
 12 Interstate Nuclear Compact contained in 90-5-201.

13 (11) Each report to the legislature required under [section 1], 19-2-405, 19-2-407, and 19-20-201 must
 14 be provided to the legislative services division as soon as the report is published. The legislative services division
 15 shall ensure that legislators are notified pursuant to this section of the report's availability. During the interim, the
 16 legislative services division shall ensure that members of the state administration and veterans' affairs interim
 17 committee and the legislative finance committee receive copies of the reports."

18
 19 **Section 5.** Section 19-2-405, MCA, is amended to read:

20 **"19-2-405. Employment of actuary -- ~~biennial~~ annual investigation and valuation.** (1) The board
 21 shall retain a competent actuary who is an enrolled member of the American academy of actuaries and who is
 22 familiar with public systems of pensions. The actuary is the technical advisor of the board on matters regarding
 23 the operation of the retirement systems.

24 (2) The board shall require the actuary to make ~~a biennial~~ an annual actuarial investigation into the
 25 suitability of the actuarial tables used by the retirement systems and an actuarial valuation of the assets and
 26 liabilities of each defined benefit plan that is a part of the retirement systems.

27 (3) The normal cost contribution rate, which is funded by required employee contributions and a portion
 28 of the required employer contributions to each defined benefit retirement plan, must be calculated as the level
 29 percentage of members' salaries that will actuarially fund benefits payable under a retirement plan as those
 30 benefits accrue in the future.

1 (4) (a) The unfunded liability contribution rate, which is entirely funded by a portion of the required
 2 employer contributions to the retirement plan, must be calculated as the level percentage of current and future
 3 defined benefit plan members' salaries that will amortize the unfunded actuarial liabilities of the retirement plan
 4 over a reasonable period of time, not to exceed 30 years, as determined by the board.

5 (b) In determining the amortization period under subsection (4)(a) for the public employees' retirement
 6 system's defined benefit plan, the actuary shall take into account the plan choice rate contributions to be made
 7 to the defined benefit plan pursuant to 19-3-2117 and 19-21-203.

8 (5) The board shall require the actuary to conduct a periodic actuarial investigation into the actuarial
 9 experience of the retirement systems and plans. Copies of the report must be provided to the legislature pursuant
 10 to 5-11-210.

11 (6) The board may require the actuary to conduct any valuation necessary to administer the retirement
 12 systems and the plans subject to this chapter."
 13

14 **Section 6.** Section 19-2-407, MCA, is amended to read:

15 **"19-2-407. Report by board to governor Reports.** (1) As soon as practical after the close of each fiscal
 16 year, the board shall file with the governor and with the legislature pursuant to 5-11-210 a report of its work for
 17 that fiscal year. The report must include but is not limited to:

18 (a) a statement as to the accumulated cash and securities in the pension trust funds as certified by the
 19 state treasurer and the board of investments. ~~The report must include;~~

20 (b) a summary of the most recent unpublished report of information available from the actuary of
 21 concerning the actuarial valuation of the assets and liabilities of each system or plan; and

22 (c) an analysis of how market performance is affecting actuarial funding of each of the retirement
 23 systems or plans.

24 (2) The report required under subsection (1) must also provide information concerning the defined
 25 contribution plan, including a description of the plan, the number of members in the plan, plan contribution rates,
 26 the total amount of money invested by members, investment performance, administrative costs and fees,
 27 determinations on the plan choice rate made pursuant to 19-3-2121, and other information required under
 28 applicable governmental accounting standards and as determined by the board."
 29

30 **Section 7.** Section 19-2-408, MCA, is amended to read:

1 **"19-2-408. Administrative expenses.** (1) The legislature finds that proper administration of the pension
2 trust funds benefits both employers and members and continues to benefit members after retirement.

3 (2) (a) The administrative expenses of the retirement systems administered by the board must be paid
4 from the investment earnings on the pension trust fund of the public employees' retirement system's defined
5 benefit plan, except as otherwise provided in this section. The board shall compute the administrative expenses
6 attributable to each retirement system or plan administered by the board and transfer that amount from each
7 retirement system's or plan's pension trust fund to the pension trust fund of the public employees' retirement
8 system's defined benefit plan in a manner that ensures that the public employees' retirement system's defined
9 benefit plan trust fund is fully compensated for expenditures made on behalf of other systems or plans so that
10 there is no actuarial impact on the fund.

11 (b) The total administrative expenses of the board, including the administration of the volunteer
12 firefighters' pension plan, may not exceed 1.5% of the total defined benefit plan retirement benefits paid.

13 (3) For purposes of calculating the percentage specified in subsection (2)(b), administrative expenses
14 do not include:

15 (a) expenditures to purchase intangible assets for plan administration;

16 (b) expenses of the defined contribution plan; ~~or~~

17 (c) expenditures of funds allocated under 19-3-112(1)(b) to the education fund established in
18 19-3-112(1)(a); or

19 (d) expenses for an actuarial valuation under 19-2-405(2) performed during the first year of a biennium.

20 (4) The administrative expenses of the defined contribution plan must be paid, as provided in 19-3-2105,
21 from assets of the defined contribution plan."
22

23 **Section 8.** Section 19-20-201, MCA, is amended to read:

24 **"19-20-201. Administration by retirement board.** (1) The retirement board shall administer and
25 operate the retirement system within the limitations prescribed by this chapter, and it is the duty of the retirement
26 board to:

27 (a) establish rules necessary for the proper administration and operation of the retirement system;

28 (b) approve or disapprove all expenditures necessary for the proper operation of the retirement system;

29 (c) keep a record of all its proceedings, which must be open to public inspection;

30 (d) submit a report to the office of budget and program planning detailing the fiscal transactions for the

1 2 fiscal years immediately preceding the report due date, the amount of the accumulated cash and securities of
2 the retirement system, and the last fiscal year balance sheet showing the assets and liabilities of the retirement
3 system;

4 (e) keep in convenient form the data that is necessary for actuarial valuation of the various funds of the
5 retirement system and for checking the experience of the retirement system;

6 (f) prepare an annual valuation of the assets and liabilities of the retirement system and an annual report
7 that includes an analysis of how market performance is affecting the actuarial funding of the retirement system;

8 (g) prescribe a form for membership application that will provide adequate and necessary information
9 for the proper operation of the retirement system;

10 (h) annually determine the rate of regular interest as prescribed in 19-20-501;

11 (i) establish and maintain the funds of the retirement system in accordance with the provisions of part
12 6 of this chapter; and

13 (j) perform other duties and functions as are required to properly administer and operate the retirement
14 system.

15 (2) In discharging its duties, the board, or an authorized representative of the board, may conduct
16 hearings, administer oaths and affirmations, take depositions, certify to official acts and records, and issue
17 subpoenas to compel the attendance of witnesses and the production of books, papers, correspondence,
18 memoranda, and other records. Subpoenas must be issued and enforced pursuant to 2-4-104.

19 (3) The board may send retirement-related material to employers and the campuses of the Montana
20 university system for delivery to employees. To facilitate distribution, employers and those campuses shall each
21 provide the board with a point of contact who is responsible for distribution of the material provided by the board.

22 (4) The board shall make available to the legislature pursuant to 5-11-210 copies of the annual financial
23 ACTUARIAL valuation and report required pursuant to subsections (1)(d) and (1)(f)."

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25 **Section 9.** Section 19-20-719, MCA, is amended to read:

26 **"19-20-719. Guaranteed annual benefit adjustment -- rulemaking.** (1) Subject to subsection (3), on
27 January 1 of each year, the retirement allowance payable to each recipient who is eligible under subsection (2)
28 must be increased by 1.5%.

29 (2) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided
30 for in this section if the retiree has received at least 36 monthly retirement benefit payments prior to January 1

1 of the year in which the adjustment is to be made.

2 (3) On ~~January 1, 2002, and~~ January 1 of each year following the system's ~~biennial~~ valuation, the board
3 may increase the annual benefit adjustment provided in subsection (1) until a maximum of 3% is guaranteed if:

4 (a) the period required to amortize the system's actuarial unfunded liability, as determined by the most
5 recent ~~biennial~~ valuation, adjusted for any benefit enhancement enacted by the legislature since the most recent
6 ~~biennial~~ valuation, is less than 25 years;

7 (b) sufficient funds are available to increase the guaranteed annual benefit adjustment by at least 0.1%;

8 and

9 (c) the increase granted by the board would not cause the amortization period, as of the most recent
10 valuation, to exceed 25 years.

11 (4) The board shall adopt rules to administer the provisions of this section."
12

13 NEW SECTION. Section 10. Codification instruction. (1) [Section 1] is intended to be codified as an
14 integral part of Title 17, chapter 6, part 2, and the provisions of Title 17, chapter 6, part 2, apply to [section 1].

15 (2) [Section 2] is intended to be codified as an integral part of Title 19, chapter 2, part 4, and the
16 provisions of Title 19, chapter 2, part 4, apply to [section 2].

17 (3) [Section 3] is intended to be codified as an integral part of Title 19, chapter 20, part 2, and the
18 provisions of Title 19, chapter 20, part 2, apply to [section 3].
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20 NEW SECTION. Section 11. Effective date. [This act] is effective June 1, 2007.

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